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Canada. Canadian Trade Relations, Standing
Committee on 1947/48
1947-48

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THE SENATE OF CANADA,



PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

Canadian Trade Relations

To whom was referred the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the Complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

No. 3

THURSDAY, DECEMBER 18, 1947

CHAIRMAN

The Honourable W. D. Euler, P.C.

WITNESSES

Mr. H. B. McKinnon, Chairman, Tariff Board.

Mr. J. J. Deutsch, Director of Economic Relations, Department of Finance.

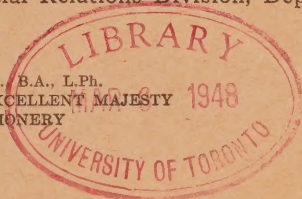
Mr. H. R. Kemp, Director of Commercial Relations Division, Department of Trade and Commerce.

OTTAWA

EDMOND CLOUTIER, C.M.G., B.A., L.Ph.

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1948



ORDER OF REFERENCE

(Extract from the Minutes of the Proceedings of the Senate, December 15, 1947.)

The Honourable Senator Robertson, seconded by the Honourable Senator Copp moved—That the Standing Committee of the Senate on Canadian Trade Relations be directed to inquire into and report upon the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

That the said Committee be authorized to send for persons, papers and records.

After Debate, and—

The question being put on the said motion, it was—

Resolved in the affirmative.

L. C. MOYER,

Clerk of the Senate.

MEMBERS OF THE STANDING COMMITTEE ON CANADIAN TRADE RELATIONS

The Honourable W. D. EULER, P.C., Chairman

The Honourable Senators

Ballantyne,	Dessureault,	McLean,
Beaubien (<i>Montarville</i>),	Duffus,	Moraud,
Bishop,	Euler,	Nicol,
Blais,	Gouin,	Paterson,
Buchanan,	Haig,	Pirie,
Burchill,	Howard,	Riley,
Calder,	Hushion,	Robertson,
Campbell,	Jones,	Robicheau,
Crerar,	Kinley,	Turgeon,
Daigle,	Macdonald (<i>Cardigan</i>),	Vaillancourt,
Davies,	MacLennan,	White—(35).
Dennis,	McKeen,	

MINUTES OF PROCEEDINGS

THURSDAY, December 18, 1947.

Pursuant to adjournment and notice the Standing Committee on Canadian Trade Relations met this day at 10.30 a.m.

Present: The Honourable Senators—Euler, Chairman; Bishop, Campbell, Crerar, Daigle, Davies, Dessureault, Duffus, Gouin, Haig, Howard, MacLennan, McKeen, McLean, Moraud, Robertson, Turgeon, Vaillancourt and White—(19).

The Official reporters of the Senate were in attendance.

The Committee resumed consideration of the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

Mr. H. R. Kemp, Director of Commercial Relations Division, Department of Trade and Commerce, was again heard with respect to the details of the agreement, and was again questioned.

Mr. H. B. McKinnon, Chairman, Tariff Board, was again heard and questioned.

Mr. J. J. Deutsch, Director of Economic Relations, Department of Finance, was again heard.

On motion of the Honourable Senator Haig, seconded by the Honourable Senator Campbell, the Committee adjourned at 12.15 p.m., to the call of the Chairman.

Attest.

H. ARMSTRONG,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE, THURSDAY, December 18, 1947.

The Standing Committee on Canadian Trade Relations resumed this day at 10.30 a.m.

Hon. Mr. EULER in the Chair.

The CHAIRMAN: Gentlemen, will the committee come to order? Mr. Kemp, of the Department of Trade and Commerce, tells me, as I think you know, that he had pretty well completed what he calls his voluntary statement yesterday, but of course we realize that members of the committee may have been sleeping on it and thinking about it and may have other questions in their minds that they wish to ask now. If so, let them do so and for ever after hold their peace. When that general questioning and examination is completed, as it may be now, it is then a question for the committee to decide whether it desires to begin today a consideration or examination of the various details of tariff changes, which of course are very extensive. I do not imagine there is any possibility of completing it today, and it remains to be decided whether in that case we want to go on with it now, or withhold it until after the recess. Are there any further questions you want to ask?

Hon. Mr. HAIG: Senator McLean started in to ask questions, and I was going to suggest, why not let him ask those questions this morning?

The CHAIRMAN: That is on the general statement?

Hon. Mr. McLEAN: No, Mr. Chairman; it was on the fish end of the business that I was going to ask questions.

The CHAIRMAN: I see no particular objection to your asking those questions.

Hon. Mr. McLEAN: Mr. Chairman, Mr. Kemp, I have been going over the details of the Agreement as far as the fish business is concerned, and I must admit that you have done very well in so far as I can see, in respect of fresh, frozen and filleted fish, but on the other hand the canning industry is a very important industry on both coasts. The canning of fish, as you know, provides for a lot more labour, and it reaches out for steel, and boxes, and so forth; and in the salmon industry, the sardine industry, and different industries on both coasts it is quite important. I might ask a question or two in relation to salmon, although I am not in the business, nor is any salmon canned on our coast. I notice that, while the duty remains the same on canned salmon going into the United States—25 per cent ad valorem, I think it is—on the other hand the duty on raw fish going into the United States, which would not bring nearly so much money as the fish would after it is canned, has been cut 50 per cent. Am I correct in that? And then the preference in the markets which British Columbia had, such as Australia and New Zealand, has been reduced 30 per cent. In other words it opens up the markets, possibly, later on for Russian and Japanese, and right away for United States competition. This to my mind puts the British Columbia salmon industry, which is a great industry out there on the coast, at a disadvantage. On the other hand, what compensation does the industry get for what we have given away, say on the Pacific coast, in connection with the salmon industry?

Mr. KEMP: To begin with, senator, I think I should say that we made an effort to get a maximum reduction of the United States duty, both on the raw fish and on the canned fish.

Hon. Mr. McLEAN: A little louder, please.

Mr. KEMP: We made an effort to get the maximum reduction of the United States duty on both the raw fish and the canned fish.

The CHAIRMAN: Did you get it?

Mr. KEMP: We got it on the raw, we did not get it on the canned; and we think we know the reason why our American friends were not willing to give it on the canned. They considered that the potential chief suppliers of canned salmon to the United States market are two Asiatic countries, and neither of these countries was represented at the Geneva conference. The general principle upon which the United States has been operating is that it prefers not to make a concession unless through negotiation with the principal supplier. Now it is quite true that we have in the past been principal suppliers; but they probably regarded these two countries as being the potential principal suppliers, and probably wanted to reserve that item for the time when they will be negotiating with those two countries.

Hon. Mr. McLEAN: In the meantime, however, it is unquestionable that the British Columbia salmon industry is going to go through a period of transition or disadvantage, I would say, because the raw fish will go out at a low rate of duty which will be paid on the raw fish but it will not be nearly as much as it would be if the article were canned. During the war we used embargoes at times but in peacetime they are difficult to handle. I have had experience in that respect and I know it is difficult to have embargoes in the fish business. Although I am not in the salmon business I believe a lot of fish will go to the United States for canning on this low duty, and this fish will pass by the British Columbia factories and then be canned in the United States where the price is higher but not high enough to overcome one-quarter of the value which the duty on the canned article will be.

Hon. Mr. McKEEN: May I interrupt Senator McLean to ask a question here.

Hon. Mr. McLEAN: Yes, I would welcome any questions from British Columbia senators.

Hon. Mr. McKEEN: I may say in regard to this question that there is a great deal of concern on the coast for several reasons. In the first place, I have received a wire from the Vancouver Board of Trade which I should like to read in order to let other honourable senators know the situation which prevails out there. This telegram ties right in with what Senator McLean was saying. That is why I have interjected at this point. The wire reads as follows:

British Columbia salmon canning industries representing investment of approximately 23 million dollars with an annual pack of about 17,500,000 and employing ten thousand persons is placed in jeopardy as a result of the Geneva agreements encouraging export of fresh fish. Stop Urgently request further consideration be given adoption of measures designed to ensure that this important business of the fishing industry representing about forty per cent of the total commercial fish production of British Columbia will have an available supply of raw material on an economic basis.

That was brought out because there was a prohibition on the export of raw fish this year, which was put into effect about July 1. The canneries operated until that went off on October 15. The supply of fish was cut off on October 15 and the canneries had to close down, except for what they had on hand at the moment. From that time on enough fish went over to the United States to pack 150,000 cases of salmon. The Americans paid approximately eight cents a pound more than the Canadians could for the fish. The reason for that was they were getting from \$8.00 to \$10.00 a case more for their canned salmon in their own market which represented an increase of at least \$2.00 to \$4.00 more

profit to them on the fish after paying the higher price than the Canadian canneries would have. In other words, the extra price paid for the fish amounted to about \$6.00 a case, and the extra price they got for the case was \$8.00 to \$10.00 on the top grade fish. If the fish were going over to the United States as processed fish to be sold on the fresh fish market, I do not think there would be the same objection. However, the canned salmon industry is an important part of the fishing industry on the coast, I would say it is at least 75 per cent of the total salmon business. You have to build your volume up to a certain figure to take care of overhead for operating the canneries for the season. If they go below that figure and do not reach their target then the cost of the production of each case is higher than the original estimate, and the selling price is based on a certain pack and that shows them a loss which may force them to shut down the canning industry entirely. In all other industries we are trying to process to the last degree in Canada and to get the highest price out of the product. In this particular case in selling fresh fish, this fish could be used for canning purposes. This would not apply to prairie fish that is not generally used for canning purposes, or eastern fish which are sold as a finished product. But in the case of sockeye salmon, which is used principally for canning, there should be some protection for this business in Canada, especially when we have given away concessions in the other markets because we must be in a position to compete with the United States and other countries of the world. So in this case serious injury has been done to one particular industry without any offsetting advantage to it. You mentioned that the duty on fresh fish had been reduced by one-half. I will just quote the figures for 1945 and 1946, the last available figures that I have. The landings of sockeye salmon and a variety of canned salmon in 1945 was 170,164,000 pounds, and in 1946 it was 149,676,000 pounds. In 1945 76 per cent of the fish, or 130,000,000 pounds, were used for canning purposes; and in 1946 the percentage canned was 67 per cent, or 101,000,000 pounds. The exports of fresh fish amounted to only 5,000,000 pounds in 1945 and 8,000,000 pounds in 1946.

You can see the situation of the American packer. He fixes his target, just as the Canadian packer does, to pack, for example, 100,000 cases. On that basis he charges all of his overhead, and the only costs that he has to bear on any quantity packed in addition to that are the costs of labour, material and cans. So the cost of whatever number of cases he produces above 100,000 is cheaper per case than his original estimate. If instead of 100,000 cases he can pack 200,000 cases, for the fish that he uses in the extra 100,000 cases he can afford to pay more than the Canadian cannery can up to the point of his pack. Also on the American side they have the advantage of using seines and traps, which are a cheaper method of fishing than gill netting that is used in Canada. The individual fisherman says that when the cannery uses the traps it cuts down his production and the amount he gets out of the fish. I do not know whether we can give it to them both ways, use the most expensive method of fishing and still let them sell the fish out of our market and deprive us of the advantage that we would get from it in Canada.

I want to put this on the record so that the situation would be clear to all honourable senators, in the hope that some concession might be made to the industry that would allow it to continue over the next few years till it gets established in new markets to take the place of those it is losing.

The CHAIRMAN: Would it help if the Canadian methods of fishing were made the same as those in the United States?

Hon. Mr. McKEEN: It would be very helpful, but I do not think it would be politically possible to do that. As a matter of fact, one cannery out there has a trap, and the fishermen have been fighting for the last fifteen or twenty years to get it removed.

Hon. Mr. HAIG: What suggestion have you to make to the department for solving the problem? Could you state your suggestion, so that the department could make its answer?

Hon. Mr. McKEEN: I wanted to know whether the department had any solution to suggest.

The CHAIRMAN: It is a matter of policy.

Hon. Mr. McKEEN: British Columbia's preferred position in the fishing industry has been traded away. Now, what has the department in mind to get back as an advantage for that industry?

Mr. KEMP: I realize that much of what you have said is for the consideration of the Department of Fisheries, senator, and covers matters with which the Geneva delegation could not have dealt; but I am right in recollecting from what you said that the American cannerys have been paying about 8 cents a pound more for raw fish than the Canadian cannerys have been paying?

Hon. Mr. McKEEN: They have been this year, but not always. There was a time up to 1935, I believe, that there was a prohibition. At that time the Canadian price of fish was higher than the American price, so the prohibition was removed. There was very little change in that situation up to about 1939. It has not always been that the Americans have paid more, but at the moment they are doing so. That is why I ask that something be done to overcome the situations that may arise at the present.

Mr. KEMP: In recent months the Americans have been paying about eight cents a pound more.

Mr. McKEEN: When prohibition came off they were paying eight cents a pound more on high grade fish.

Mr. KEMP: That is right. As a result of the Geneva conference the Americans have reduced the duty on fresh fish about one-half cent a pound. Is that right?

Mr. McKEEN: That is right.

Mr. KEMP: So that it is not really that reduction of a half cent a pound that is the cause of our difficulty in getting and retaining the raw material on this side?

Mr. McKEEN: Not altogether; but we had to put a prohibition on in July in order to retain sufficient for packing. That half cent does not do it. The way that it works out is this: The half cent means that on 75 pounds of fish going into the United States in the form of fresh fish there is a duty of 37½ cents, but on the same quantity of fish going in as canned salmon the duty is 25 per cent ad valorem and each case is worth, I believe, approximately \$25, making the duty about \$6.25 a case. The difference in duty on 75 pounds of canned fish against the same quantity of fresh fish would be \$5.92 per case.

Mr. KEMP: The main complaint about Geneva is not that the duty was reduced half a cent a pound on fresh fish, but that it was not reduced 12½ per cent on canned fish.

Hon. Mr. McKEEN: And that it was not reduced half on canned fish.

Mr. KEMP: That is correct.

Hon. Mr. McKEEN: I am free to state that I doubt that that would have solved the problem for the cannerys; I do not think that even a 50 per cent reduction in canned fish would give us the fish.

Mr. McKINNON: I think at this point I might remark that we as officials should be, in my personal opinion, indebted to Senator McKeen for the purely objective way in which he has stated a very difficult problem. He has made it clear and has not attempted to slant in one way or another the fact that this premium was being paid by American users of fish prior to the announcement

of the Geneva decision. He even admits that it was not necessarily the half cent reduction on raw fish which has created the situation, or even, greatly worsened it; but, as he has stated yesterday, and again very fairly, that reduction had not done anything to alleviate the situation.

I believe that Senator McKeen has made a very fair statement—one that I would have made myself, had I been under examination—that in the face of the premium that obtains in the United States on raw materials, I doubt very much, as he has stated that, even a 50 per cent reduction in the canned product in the American tariff would have remedied the situation. There are so many circumstances involved, as Senator McKeen has said, such as the different methods of fishing, the price levels in the two countries and so on, that this reduction of a half cent a pound on raw material—which we secured simply because we were doing our utmost to get a 50 per cent reduction on everything, thinking only in terms of tariff and trade, and keeping out of our minds other temporary factors that apply at the present time or from time to time—is an important factor in the situation.

Hon. Mr. McKEEN: Of course on your approximately 20 million dollar inland fisheries' fish that amount may represent a real advantage at some future time. At the moment I think all the fish can be sold, but maybe there will be some advantage there in the future.

Hon. Mr. HAIG: Could an embargo be placed on Canadian raw fish going to the United States?

Mr. McKINNON: That is a perfectly fair question, Senator Haig, and since it would relate not to the tariff schedules at all but to the general principles in the Agreement, I think Mr. Deutsch would probably care to answer you on that point.

Mr. DEUTSCH: Senator, it is possible that for a temporary period we probably could embargo the salmon; that is, for perhaps a year or two, because there are a number of exceptions in the charter that take care of the problems of post-war transition; and under that heading we might be able to continue to embargo the salmon. I must say, however, that as a permanent policy, I am afraid, the charter would not permit it.

Hon. Mr. McKEEN: Well, Mr. Deutsch, regarding that, if we put the embargo in there to retain fish enough to take care of our minimum requirements of canning, and then released the fish after that, would that be a form of embargo that would be prohibited under the charter?

Mr. DEUTSCH: I am afraid it would, senator, yes.

Hon. Mr. McKEEN: Even though it was going to put our canning industry out of business we still could not do it under the charter?

Mr. DEUTSCH: No, not under this charter, sir. I should say that the charter does permit countries to discuss problems with other countries and to try to work out some scheme which will meet our problems, and if it was decided that we should try to do that, we could use the consultation provisions of the charter. I am not sure what the result would be. We would have to go to the United States and say, "we have got this difficulty—"

Hon. Mr. HAIG: Let me put this supplementary question before you finish. Has the price of 8 cents for the raw fish in the United States market anything to do with the general cost of living of meat and food of that character in the United States? Is that one of the basic reasons?

Mr. McKINNON: I think maybe Senator McKeen could answer that better than I, but my inclination would be to believe it was a reflection of the high cost of foods generally.

Hon. Mr. McKEEN: It is reflected in your canned fish.

THE CHAIRMAN: Gentlemen, Senator McLean has been very kind in yielding his place, and I think we ought to allow him to go on.

HON. MR. McLEAN: I think we have covered the west coast salmon industry.

HON. MR. HAIG: You have not found a solution.

HON. MR. CAMPBELL: There is a very simple solution, and that is for the canners to pay a price equal to what they pay in the United States.

HON. MR. McKEEN: They could not sell their products.

HON. MR. McLEAN: There are one or two items which affect the east coast for which I can see a very much larger market in the United States. I notice that a duty is still left of the item called kippered snacks. Kipperd snacks is the poor man's food, used for the lunch pail, very considerably, in the United States and Canada, and there was a considerable market in the United States during the war. Of course, other countries have been cut off. That is an item which the United States, to my knowledge, has never put up, has never manufactured. I think there is every reason why the duty should be reduced. It is the poor man's food, and it is not manufactured in the United States. They want to get their cost of living down, and yet at this time the minute it reaches the border there is 12½ per cent slammed on it, and then the 8 per cent sales tax. I do not know why the sales tax is put on, because they do not manufacture this article in the United States, and there is nobody to protect. So I think all the arguments are in favour of getting that duty cut in two. If that were done there would be a large market in the United States for that item.

MR. KEMP: Would you like me to deal with kippered snacks while you are on that point?

HON. MR. McLEAN: No. I think you might take notes and answer later. The next item I would like to refer to is clams. There is a shortage of clams in the eastern States, so they come over to Canada buying what they call shucked clams. They take the raw material over the border, and, very ingeniously, it goes into the United States free. I do not think they have conserved their beds in the eastern States the way we have in Eastern Canada. It was just a case of taking the clams from the beds, shucking them, and wasting the juice, which we know is nearly as valuable as the clams, and taking them over there free. When we come to put the clams in the cans to preserve a certain amount of juice, there is a 35 per cent duty. Years ago it used to be free, but in one of these new tariffs they have slammed on 35 per cent on clam juice, which in fact is used in hospitals because doctors say it is full of vitamins, of iodine and mineral matter. When the clams are shucked the juice is wasted. We refine the juice. I feel that a very considerable market could be built up for clam juice in the United States. As I say, they have a 35 per cent duty on clam juice. Whom they are protecting I don't know, because there is a big shortage of clam juice over there.

The next item which is important business in the East is sardines. We have, of course, in Eastern Canada the largest factories in the business. The duty was cut, according to the last figures, 25 per cent, on sardines coming into Canada.

MR. McKINNON: Our duty. Not quite. Do you wish me to answer you as you go along?

HON. MR. McLEAN: Perhaps under the French treaty there was 10 per cent off.

MR. McKINNON: The exact duties that on the type of sardine that you are interested in and talking about—

HON. MR. McLEAN: The 8 or under.

MR. McKINNON: The 8 ounces or under, the duty was 1.6 cents under the French treaty, and it is reduced to 1.5 cents under this treaty.

Hon. Mr. McLEAN: Did Norway get the benefit of the French treaty?

Mr. McKINNON: Norway got the benefits of the French treaty, and now gets the benefit of the new rate,—1.5 instead of 1.6.

Hon. Mr. McLEAN: It has been a long hard road to work the sardine business up in Australia, New Zealand and South Africa. You all know the trouble we had over the word "sardine". After very many years Canada was able to build up a very large market in Australia, New Zealand, South Africa and different parts of the Empire. As I understand it, our preference is also cut in those markets on sardines the same as on salmon.

Mr. McKINNON: Mr. Kemp will have to answer that. It differs in each market.

Hon. Mr. McLEAN: Our preference has been lessened quite an amount, I understand, in these markets, and as I stated, you can seek new markets, of course, but the markets we had were built up over many years for the sardine business and also for the salmon business, and it is going to be difficult to go over that long hard road and find other markets to replace those which you have given away. I might ask, with these concessions that you have given to other countries in the sardine industry, what do we get in return, either for the industry or probably some other branches of the fish business? I know this, that the duty has been raised to the United States on one part of the sardine industry, but that does not count at all, I won't bring that into the situation, but it has been cut in two, 15 per cent; but the duty has very little effect as far as the United States and ourselves are concerned. The duty is down to 15 per cent now between the United States and Canada.

In the Bay of Fundy, where the herring are found, I would say that 85 per cent of the fish are on the Canadian side of the Bay and 15 per cent are on the American side of the Bay. The factories being just a few miles apart, there is very little difference in the cost; and if fish are going to go back and forth between Canada and the United States it would be more on account of inefficient operation, I would say, than of cost. During the war the price of fish was fixed there at \$15. After the exchange was changed, or the dollar was brought up to the American dollar in 1946, that was never recognized by the Canadian buyers in the Bay: they paid then, and have ever since, \$16.50 a hoghead, against \$15 paid on the American side. During the war we had to pay \$16.50 for sardine herrings on our side to equal the \$15.00 on the American side. That situation still prevails. The difference in the exchange has not been recognized. Now, the cost of fish to the canneries in Canada is 10 per cent more, at their own free will, than the cost of fish to Americans. The cost of labour in the United States is probably a little more. I admit that, but they may pay a higher hourly rate and they may cut workers off at a certain time in the afternoon whereas on the Canadian side they try to give every man a day's work. The result is that the earnings on the Canadian side are probably more on a yearly basis. I do not think it would be a very big concession to put sardines back on a 15 per cent duty basis, on the East Coast. During the last ten or fifteen years we have worked up a large trade elsewhere and I do not think we are going to get anything in the way of a very substantial benefit back from the United States. Concessions have been given with regard to other industries and the fish industry should be the same. You cannot improve on nature. The canneries' job is to maintain what nature has given or to leave nature alone. There would not be much object in shipping fish back and forth across the line. I think that is about all the points I wish to cover this morning as far as the canning industry is concerned. Like the salmon people I should like to know what benefits we may receive in return for what we have given away in the industry.

The CHAIRMAN: I suppose you will answer these questions Mr. Kemp.

Mr. KEMP: The first point that Senator McLean raised was in connection with kippered snacks, and I believe they are perhaps put up in different ways. Can you tell me, Senator McLean, whether they are put up in oil?

Hon. Mr. McLEAN: No, the kippered snack as a rule is put up in a long, narrow standard can in their own oil. Some may be put in oil but I have been interested in this matter for many years and I know there is enough oil in the fish that they do not have to be put up in oil.

Mr. KEMP: The rate of duty would be different in the United States according to whether or not the fish was put up in oil.

Hon. Mr. McLEAN: I would say that 90 per cent of this fish would be without oil.

Mr. KEMP: If put up in oil, the duty has been reduced apparently from 30 to 15 per cent.

Hon. Mr. McLEAN: I would say that would not affect more than 10 per cent. If those fish are the right kind they are very fat and have a great deal of oil in themselves. That oil does not count; it has to be an outside oil and there is no need for that at all.

Mr. KEMP: If they had been in oil they would have benefited from a 30 to 15 per cent reduction. If they were not in oil they would come under another item, on which the former rate was 12½ per cent. Curiously enough that particular item was regarded by the American negotiators and their principals as being an item in which the principal supplying country was not Canada but China. Consequently the item was not negotiated with us but with the Chinese. In the course of the negotiations the Chinese undoubtedly asked the Americans to give the maximum concession on this item. The best they were able to obtain from the United States was a consent to binding the fish at 12½ per cent which was the existing rate, and it was not possible for us to do anything further. Possibly if the Chinese had made larger concessions to the United States they might in turn have been successful in getting a further reduction in that duty. I do not know. We are all disappointed in it, but the binding at the 12½ per cent rate was the best they were able to obtain.

Hon. Mr. McLEAN: Did the United States have any fish men present at the time? In all my experience in the fish business I have never seen one can of kippered snacks that had been put up in China. Norway was the chief supplier before the war and I believe during the war Canada became the chief supplier. I have been in hundreds of stores in the United States and have never once seen a can of kippered snacks that had been put up in China. I do not think the Chinese put this fish up, and I believe somebody slipped there.

Mr. KEMP: I am sure you are right, but it was not the people in Geneva who were responsible for allocating the different items to the different countries. This was done from a document which we suppose had been made up in Washington by the authorities there.

Hon. Mr. McLEAN: Some fish adviser must have been asleep, I guess.

Mr. KEMP: The only explanation I can give, and perhaps you can throw some light on the subject, Senator McLean, is that there is no separate item in the United States tariff regarding kippered snacks.

Hon. Mr. McLEAN: They do not put them up.

Mr. KEMP: It comes under a general item which includes different kinds of fish and the wording of the item in question is as follows: "Herring, smoked or kippered or in tomato sauce, packed in immediate containers weighing with their contents more than one pound each."

That is the general heading.

Hon. Mr. McLEAN: That is kippered herring.

Mr. KEMP: Yes. We think it comes under that general item.

Hon. Mr. McLEAN: It would be helpful if it could be taken out of the basket clause and made a separate clause because it has a large potential future.

Mr. KEMP: It would be very helpful to us, sir, perhaps not necessarily in the presence of the whole committee, but if some time we could talk technically about it and clear up with you whether that is really the item because we are not without hope that something could still be done. We want to be sure that we are dealing with the right item if we have another chance to do something about it.

Hon. Mr. CAMPBELL: May I ask a question at this point? What procedure would be followed to change some of these items? Assuming that parliament felt that there should be some changes made, would it be a matter of re-negotiating?

Mr. McKINNON: Do you mean a change, Senator Campbell, in an item in the schedule?

Hon. Mr. CAMPBELL: Yes.

Mr. McKINNON: No, that would not be possible as regards this particular agreement and these schedules. They must be either adopted or rejected, but I think Mr. Kemp had in mind—

Hon. Mr. CAMPBELL: Negotiations?

Mr. McKINNON: —well, under the consultation clause of this agreement, subsequent to their adoption and putting into force, either side can bring up any difficulties or any misinterpretations that may have arisen. If either side feels it is not getting exactly what it bargained for, under the consultation clause these things can be taken up at any time.

Hon. Mr. CAMPBELL: But no changes can be made at any time at all.

Mr. KEMP: If I may return for a moment and refer to the kippered snack question: there was another point raised by Senator McLean which is of general interest, and quite apart from this particular fish item I should like to do my best to clear it up. He spoke of the 8 per cent sales tax which is imposed in Canada on this product, and pointed out that when the product is exported to the United States some cognizance is taken of that 8 per cent sales tax in arriving at the United States value for duty. The United States customs authorities do not actually add the 8 per cent sales tax to the duty, but they add that tax to the Canadian value in order to arrive at the United States value for duty, even though the sales tax is not levied on fish or anything else exported to the United States. That is a point of great importance which is applicable not only to Senator McLean's fish but also to all other products that we export to the United States.

Hon. Mr. McLEAN: Whether they manufacture them or not.

Mr. KEMP: Whether they manufacture them or not.

The CHAIRMAN: Or whether there is a sales tax imposed in Canada on those exportable items.

Mr. KEMP: That is right, sir.

The CHAIRMAN: They simply add it to the value for duty?

Mr. KEMP: Yes. So in this case if we are paying $12\frac{1}{2}$ per cent duty on these kippered snacks, we are paying it not on the export price but on the export price increased by 8 per cent, which is the amount of our sales tax.

The CHAIRMAN: But the sales tax is not imposed.

Mr. KEMP: The sales tax is not imposed. We exempt our exports from sales tax, but the United States customs officials are obliged by their law to require that the 8 per cent be declared as part of the value for duty.

Hon. Mr. McKEEN: They take that as part of the basis of the Canadian market price?

Mr. KEMP: Yes.

Hon. Mr. McLEAN: And by so doing they raise the cost of living for their own people.

Mr. KEMP: Yes. Just to make it clear how the thing works we may take this illustration. Suppose a Canadian exporter were to try to send his product into the United States without declaring the sales tax as part of the value for duty. The United States authorities would then add the amount of the sales tax and would very likely add a penalty for undervaluation, which penalty would be exactly equal to the amount of the 8 per cent sales tax which the exporter omitted to declare. I am describing this situation which exists to-day, but it is to be rectified. One of the results of the Geneva discussion was an agreement in the charter itself as to a change in the method of valuation for duty, and as that is in Mr. Deutsch's field I might perhaps ask him to explain exactly what has been done about that.

Mr. DEUTSCH: The provisions in the charter as to customs administration, to which we referred the other day, have a requirement that once this agreement is adopted and goes into force countries will not be permitted to include in the value for duty any domestic sales taxes or excise taxes which are refunded upon the export of the commodities.

Hon. Mr. McLEAN: Very good.

Mr. DEUTSCH: Therefore when this agreement is adopted it will make a very important change in United States customs laws which will be greatly to our benefit.

The CHAIRMAN: If the sales tax is not imposed, how can it be refunded?

Mr. DEUTSCH: I understand the situation in our country to be that goods produced are taxed 8 per cent, and that the tax on any goods which are exported is refunded. After this agreement comes into force the refund must be recognized and cannot be included in the value for duty. That change will be greatly to our advantage.

Hon. Mr. McKEEN: That would help the canned salmon business.

Mr. DEUTSCH: Yes.

Hon. Mr. ROBERTSON: It applies to all the range of exports.

Mr. McKINNON: Once Congress approves the charter this will have the effect of a further horizontal reduction in duty, because it will mean a lowering of duty on all the goods we export.

Hon. Mr. ROBERTSON: All that are dutiable.

Mr. KEMP: May I refer to one other point? There was a reference to the item of clam juice, on which we pay 35 per cent duty and on which no concession was made. We also are disappointed that it was not possible to obtain a concession on that, but I think I explained yesterday that the items on which the United States negotiators were permitted to take any action were those included in their statutory list, a grey book which was exhibited to the committee. The item of clams is included in that grey book, but the item of clam juice is not; therefore no matter what efforts were made in Geneva it was quite impossible for us to obtain any concession on the item of clam juice. But it is very useful and helpful for the senator to have mentioned that matter here, because, as was said before, we are not without hope that there may be further opportunities to take up some of these matters with the United States authorities.

With regard to another point, namely, sardines, I have been looking through my records quickly during the proceedings and I do not find that we lost any preference on sardines anywhere in the Empire. I may be wrong, for I did not

have time to go through the records thoroughly, but I do not think that our position on sardines has been worsened.

Hon. Mr. HOWARD: The Canadian government gave more power to our negotiations than United States government gave to its negotiators?

Mr. KEMP: It is quite true, sir, that our government did not specify a list of things that could or could not be dealt with.

Hon. Mr. McKEEN: Was there any other country that restricted its negotiations as the United States did?

Mr. KEMP: Of course, sir, we did not know what instructions the other negotiators may have received.

Hon. Mr. McKEEN: But to your knowledge were the representatives of any other country restricted as those of the United States were?

Mr. McKINNON: May I put it this way, sir, that no other country furnished its representatives with a statutory list of items that could be dealt with.

The CHAIRMAN: In addition, there is that 50 per cent restriction.

Hon. Mr. HAIG: That is not as bad as the list.

Hon. Mr. HOWARD: The fact that some items were omitted from the United States list would appear to give a chance for further negotiations.

Mr. McKINNON: That is true, senator. The United States list was very extensive and included by far the greater part of their tariff; but the United States government was aware that certain countries would not be represented at Geneva and no doubt it kept out of the list certain items of prime importance to those countries.

The CHAIRMAN: The list was not really intended to restrict negotiations at Geneva with respect to items of interest to the countries represented there.

Hon. Mr. McKEEN: In picking the country to negotiate with as the principal supplier the United States did not stick entirely to statistical figures. In some cases they designated a particular country as potentially the principal supplier and negotiated with that country. In some instances might this not put a country which was actually the principal supplier of a certain item at a disadvantage, in that the country which was designated as a potentially principal supplier might not at the moment be interested in that particular item, and as a consequence no concession would be obtained?

Mr. DEUTSCH: That is possible.

Hon. Mr. McKEEN: For instance, China was considered to be the principal supplier of snacks, but information before this committee is that at present China is not shipping snacks to the United States, so possibly it did not ask for any concession.

Hon. Mr. LAMBERT: Were any items omitted on account of Russia?

Hon. Mr. McKEEN: Canned salmon was not touched because Russia was a potentially principal supplier.

Hon. Mr. LAMBERT: What about newsprint?

Mr. McKINNON: Newsprint was negotiated, and we got that bound free.

The CHAIRMAN: Gentlemen, if you have finished with the questions on the general charter, is it your desire to go on with the tariff items?

Hon. Mr. ROBERTSON: Before we do that, I should like to ask a question that may have been answered when I was not present yesterday. I believe it was Senator Kinley who asked whether currency depreciation was involved in this charter, and Mr. Deutsch replied that it was only incidental to it because it was covered in the International Monetary Fund. As a result of being in the International Monetary Fund and bound by its provisions to maintain some reasonable stability in currency, or because we withdrew from that position

or were bound separately and did not observe the rules in regard to it, could we look forward to enjoying the continued benefits of reduced tariffs in other countries? To put it more specifically let us suppose for the sake of argument that we withdrew from the International Monetary Fund, and as a result our exchange rate went down to a low figure, could we then suggest that other countries extend to us the benefit of trade by reason of reduced tariffs or as respect to quotas? In what respect is the question of currency depreciation on our part, or currency stability, tied up with the question of these advantages in the export markets which we at the present enjoy under these agreements?

Mr. DEUTSCH: Senator Robertson, in the first place, this charter recommends that countries that are members of this trade organization should also be members of the International Monetary Fund. If there is not joint membership the countries who are not members of the International Monetary Fund would not have any obligation with respect to maintaining a reasonable stability in their exchange. Those countries who did not have that obligation could, presumably, depreciate their exchanges at will, and they could enter into competitive exchange depreciation, and thereby gain advantages over other countries who were not permitted to do that.

At Geneva it was felt that unless there was joint membership there would not be equality of obligation: You could not expect countries to give concessions on tariffs to other countries who were perfectly free to depreciate their exchange at any time, or to any extent, which could pretty well nullify the concessions which were given to other countries.

The CHAIRMAN: But the members of the fund can depreciate their currency 10 per cent, can they not?

Mr. DEUTSCH: Yes, that is true.

It was felt that if a country was not a member of the International Monetary Fund, it should be required to enter into an exchange agreement with this organization. This exchange agreement would have in it obligations which are similar to those in the International Monetary Fund, and there would be a clause in that exchange agreement concerning the question of exchange depreciation which, presumably, would require those countries to maintain a reasonable stability of their exchange. Withdrawal from the monetary fund would not in fact relieve a country of its obligation to maintain reasonable stability of exchange; if it wanted to belong to this organization, it would necessarily have to enter into an agreement equivalent to the obligations of the International Monetary Fund, with this organization.

Hon. Mr. ROBERTSON: Is the effect of the agreement this, that if we are going to belong to this club and give advantages, we have to maintain a reasonable exchange stability?

Mr. DEUTSCH: That is the effect of the obligations in this agreement.

Hon. Mr. HAIG: But the International Monetary Fund will allow a reduction of 10 per cent, if a country so desires it.

Mr. DEUTSCH: Yes, that is true.

Hon. Mr. ROBERTSON: I am speaking about reductions beyond that figure.

Mr. MCKINNON: Ten per cent is regarded as a tolerance.

Mr. DEUTSCH: To the extent of ten per cent one can act on his own, and does not require the permission of anybody, but beyond that it is necessary to get agreement.

Hon. Mr. MORAUD: I do not know whether this question applies to the subject now before us, but there appeared in the morning newspaper today a quotation by the Assistant Secretary of Commerce in the United States to the effect that we were the only country to which the export of crude or fuel oils was not restricted, and that all other countries had to get export permits.

Hon. Mr. HOWARD: That is correct.

Hon. Mr. MORAUD: Does that provision come under the agreement? The secretary went on to say that if the United States could put an embargo on fuel oil to Canada that would help the situation in New England.

Mr. DEUTSCH: I believe the situation, Mr. Senator, at the present time is this: The United States does control the export of petroleum and petroleum products, but it does not control their export to Canada. That is as a result of the Hyde Park Agreements which in certain respects are still in effect. Under those agreements the United States did not impose export controls on items going to Canada during the war. They have maintained that policy under the Hyde Park Agreements, and at the present time while the United States is controlling exports to other countries, she is not controlling them to Canada.

The CHAIRMAN: When does the agreement expire?

Mr. DEUTSCH: I believe it has no definite expiry date; it is just running on.

Hon. Mr. MORAUD: They cannot control these products under the provisions of the Hyde Park Agreements.

Mr. DEUTSCH: It has that effect; there is still the general understanding under the Hyde Park Agreements, which as far as I know have no definite term. As to whether or not they consider it wise to take this action, and thereby more or less modify the Hyde Park Agreement, is a question that I cannot answer.

The CHAIRMAN: Can the United States terminate that agreement at will without giving notice?

Mr. DEUTSCH: I am not certain about that, Mr. Senator.

Hon. Mr. CAMPBELL: Are fuel oil and petroleum products dealt with in the schedules?

Mr. DEUTSCH: Under this agreement they are not permitted to place an embargo or control on exports, except, as I said before, there are certain provisions to take care of immediate post-war difficulties. One exception has to do with items that are in short supply; until 1950 a period is provided in this agreement giving time for countries to adjust their controls, particularly on scarce items; and in these special circumstances they may put on a control for a temporary period only.

That is to say, in respect to scarce items a country could probably put a control on for a temporary period in accordance with the agreement, for the time being, but they could not do it as a permanent measure.

The CHAIRMAN: In spite of the Hyde Park Agreement?

Mr. DEUTSCH: Hyde Park is a separate question.

Hon. Mr. MORAUD: I understand that there is no duty on fuel oil, but there is on the manufactured product, gasoline.

Mr. DEUTSCH: That is correct.

Hon. Mr. MORAUD: If in spite of our agreement duties were put on fuel, or fuel oils, that would have the effect of putting on an embargo.

Mr. DEUTSCH: No, they could not put a duty on the export of fuel oil. That would not be permitted under this agreement.

Hon. Mr. MORAUD: Why could they not?

Mr. DEUTSCH: It would be contrary to the terms of the agreement.

Hon. Mr. MORAUD: Of the Geneva agreement?

Mr. DEUTSCH: Yes.

Hon. Mr. McKEEN: Then I take it that the Hyde Park agreements are giving us the benefits with regard to fuel oil and lubricating oils that we will have under the Geneva agreement in 1950?

Mr. DEUTSCH: Yes, in a sense that is right.

Hon. Mr. HOWARD: I think it would be only fair to the record to give the answer which is given here. The paper also went on to say that in reply to that question it was stated that the imports into the United States from other countries, if they did act as was proposed by this senator, would probably be sent to Canada instead of the United States to make up for the deficiency.

Hon. Mr. MORAUD: This order was rescinded afterwards?

Mr. DEUTSCH: The order was rescinded afterwards, yes, senator.

Hon. Mr. MORAUD: But that was done by Canada?

Mr. DEUTSCH: That was done by Canada, yes, sir, not by the United States.

Hon. Mr. LAMBERT: Are there any other articles besides oil operating under the Hyde Park agreement?

Mr. DEUTSCH: Yes, sir, the United States has at this time export controls on quite a large number of items. They have for instance control over steel exports to other countries, but they have not export control on it going into Canada.

Hon. Mr. MORAUD: Just coming in?

Mr. DEUTSCH: Just coming in. That was due to the understanding that was reached under the Hyde Park agreements. They did that during the war. They did not impose export control on things coming into Canada, and they are still carrying on that way, although at the same time they are imposing export controls on some goods to other countries.

The CHAIRMAN: They might reimpose that.

Mr. DEUTSCH: Or they might ask us to do certain things. But just how that will be terminated or amended I do not know. I don't think that was too specific.

Hon. Mr. MORAUD: What items mentioned in the Hyde Park agreement are excluded from the Geneva agreement?

Mr. DEUTSCH: There are no items mentioned in the Hyde Park agreement. It is just a general statement that the two countries will organize their economies to facilitate war production in both countries, and some of the understandings under it have been carried on into peace time.

Hon. Mr. HAIG: Was the Hyde Park agreement a gentlemen's agreement or was it ever approved by Congress?

Mr. DEUTSCH: No sir, it was just approved by the American administration and the Canadian government.

Hon. Mr. DAVIES: Yesterday I asked a question which I understood would be answered when Mr. McKinnon or Mr. Kemp was before the committee. That was, on what percentage did we reduce the duty and on what percentage did we increase it?

Mr. McKINNON: You mean on the Canadian tariff?

Hon. Mr. DAVIES: Yes.

Mr. McKINNON: Well, Schedule V, which is the schedule to the agreement relative to the Canadian tariff, contains about 1,050 items. Of those, practically 400 odd are bound at the present rate, and the remaining 600 or 500 odd are reduced in rate. I have put it in very round figures; out of, shall we say, a thousand items in the schedule somewhat more than one-third are bound at the present rate, and somewhat less than two-thirds reduced.

The CHAIRMAN: Can you tell us what that means in terms of dollars or volume?

Mr. McKINNON: No, we have never even calculated it, Mr. Euler. The reason we did not calculate it was this. On both sides of the table at Geneva, with different countries, there was very frequently the temptation to talk in terms of the dollar value or the volume of trade say in 1946. We took the ground that that was in a sense fictitious, because the trade was artificial—so much of it was replenishment of war-created deficiencies—and we restricted our discussions to the basis of the year 1939.

The CHAIRMAN: It would not be representative of normal conditions?

Mr. McKINNON: That is the point. We insisted that we keep all our discussions on the basis of 1939, so we did not make any effort, Mr. Chairman, to determine what these reductions might mean in terms of greater volume or value of trade, because we felt that we were getting too far from a stable basis if we attempted to do that.

Hon. Mr. ROBERTSON: I have been asked to ask Mr. McKinnon if he could throw any light on the United States attitude re the duty differential applying to dried cod over and under a 43 per cent moisture content.

Mr. McKINNON: I can throw a certain amount of light on that, Senator Robertson. We negotiated reductions on both. I think what is in the mind of the member of the committee asking the question is that there is still a differential between the two types, the dry and the wet cod; and Mr. Kemp, who secured the concession on both, and is technically competent, more so than I am, will be glad to explain the situation.

Mr. KEMP: I will be glad to tell you what I can, sir. The items in question are under United States tariff item 719 (2) and under the old arrangement—I will read the item to you:

(2) cod, haddock, hake, pollock, and cusk, skimmed or boned, whether or not dried, 2 cents per pound (except that the vertebral column may be removed)....

Now this is divided into two parts: when containing not more than 43 per cent of moisture by weight, and when containing more than 43 per cent of moisture by weight. Under the first item, when containing not more than 43 per cent of moisture by weight, the old rate of duty was five-eighths of a cent a pound, and it has been reduced to half a cent a pound. That is, it is reduced from five-eighths to four-eighths of a cent. On the other part of the item, when containing more than 43 per cent of moisture by weight, the old rate was three-eighths of a cent a pound; it has been reduced to one-fourth of a cent; in other words, it has been reduced from three-eighths to two-eighths. So that the differential between the two rates, which was formerly a quarter of a cent a pound, is still a quarter of a cent a pound, but both of the rates are lower than they were before.

The CHAIRMAN: One-eighth of a cent in each case.

Mr. KEMP: That is right, sir. Now, the trade statistics for 1939 show that in 1939 we exported to the United States \$81,000 worth under 43 per cent. and \$925,000 worth over 43 per cent moisture. So that, at least at that time, the exports over 43 per cent moisture were eleven times—between eleven and twelve times—as great as the exports under 43 per cent moisture. It is evident therefore that we had at that time an export interest in fish belonging to both of these two classes, but that our export interest in the fish with the higher moisture content was very much greater than it was in the fish of lower moisture content. At Geneva we had an interest, and Newfoundland also had an interest. The Newfoundland fish are more largely of the high moisture content type; and a request was made for a concession on this kind of fish, not only by ourselves, on the basis of our 1939 experience, but also by the United Kingdom acting on

behalf of the Newfoundland government. When the United States therefore made these concessions, we suppose that, while Canada was recognized as the principal supplier at the moment of both of these items, they also took into account the fact that Newfoundland had a special interest in the high moisture content. When they made a concession on one of the items they always felt that they had to make the concession on both of the items, and make an equal concession on both of the items, rather than to introduce a difference or change the difference from that which had existed already. As I mentioned yesterday in my general remarks, the United States negotiators appeared throughout not to be anxious to do anything that would savour of a discrimination among the countries with which they were dealing. It would have been very difficult for them to make a concession on the item that was of greater interest to the one country without making the concession at the same time on the item that was of greater interest to the other country. That, however, is only speculation on my part. This is perhaps all that I can really say of my own knowledge with regard to what happened.

Hon. Mr. McKEEN: I would like to ask a question in that regard. That has brought up this point. When negotiations were carried on with the principal suppliers, was it permissible at Geneva for other countries which were interested in that product to sit in on those negotiations as well as the principal supplier?

Mr. KEMP: There were not in general three-cornered negotiations. There were in exceptional cases a few instances that we heard of where some other countries sat in. For example, when we negotiated some of the fish items with the United States we did have representatives from Newfoundland, and when they were negotiating fish items and fish oils we had representatives also. But while as a general thing a third party did not take part in the negotiations, there was nothing to prevent a third party from making a request on an item, even though not the principal supplier. We ourselves made many requests on items of which we were not the principal suppliers, in the hope that, even though we might not have as much influence as the principal supplier, they might nevertheless be willing to pay some attention to our attitude in the matter.

The CHAIRMAN: And did they?

Mr. KEMP: We think that in some cases they did.

Hon. Mr. ROBERTSON: On that question of moisture content, I am advised that from our point of view in Nova Scotia, it would be desirable to have that differential removed, or failing that, the percentage increased. Is that 43 per cent provision more or less a fixed part of the American tariff?

Mr. KEMP: Yes. They did not change the wording of tariff items at Geneva. They could take a tariff item and break it up into different parts, but they could not, for example, have changed the 43 per cent to 40 per cent or 50 per cent, if it would have the effect of changing any duty by more than 50 per cent.

Hon. Mr. ROBERTSON: Would that be a point on which, in any future negotiations, it might be possible to reflect the specific viewpoint of the Canadian exporter, either by having the tariff items the same or, failing that—and I am advised that from our point of view this would be desirable and necessary—by having the percentage increased?

Mr. KEMP: During the recent negotiations the powers of the negotiators were those, of course, laid down in their Reciprocal Trade Agreements Act. But if in some future negotiations they were to operate under some different authorization, as for example, if they were to operate under the direct authority of Congress, it would then be possible for them to work on a different plan.

Hon. Mr. ROBERTSON: For instance, the other day in the House of Commons a minister intimated that further negotiations were in progress. Are they

necessarily limited to any specific range or can points come up similar to the one that Senator McLean brought up?—It is within the rights of our negotiators to try along any specific lines we are interested in?

Mr. KEMP: That is true, and congress could do as it pleases.

Hon. Mr. ROBERTSON: As in the case of the specific technical suggestion you made to Senator McLean of his advising you on the technical aspects of this problem, it would be equally applicable to this point?

Mr. KEMP: Yes, sir.

The CHAIRMAN: Are there any other questions?

Hon. Mr. CAMPBELL: I should like to hear something with respect to the changes of duty, if any, covering automobiles and automobile parts between Canada and the United States.

The CHAIRMAN: Does that come under the schedule?

Mr. McKINNON: They are under the schedule, yes.

The CHAIRMAN: Do you want a general answer, Senator Campbell?

Hon. Mr. CAMPBELL: Yes.

Mr. McKINNON: From the Canadian tariff end, the automobile item itself and the more important items on parts are in the schedule and bound at the existing rates.

Hon. Mr. CAMPBELL: At the existing rates?

Mr. McKINNON: Yes.

Hon. Mr. HAIG: Under the preferential agreements with the other parts of the Commonwealth we have certain rights with respect to a certain percentage of a car manufactured in Canada. Has there been any change in that situation?

Mr. McKINNON: Australia in particular had a very high content requirement.

Mr. KEMP: There were no changes so far as I remember, sir. It was recognized that a country extending a preference was entitled to set up whatever requirements it saw fit as a condition for granting the preference.

Hon. Mr. HAIG: I know that. That was said by someone before, but there has been talk abroad that there was some curtailment of the British preference in certain markets. With respect to automobiles manufactured by Ford in Canada and sold in South Africa, Australia and New Zealand, has there been any change in these regulations at all, and if so, what?

Mr. McKINNON: I am sorry but we misunderstood you. I thought you were speaking of the content, but you are speaking now of the rate of duty involving the preference.

Hon. Mr. HAIG: Yes.

Mr. McKINNON: Mr. Kemp can answer that.

Mr. KEMP: If the honourable senator will give me just a moment to look up my figures. No preferences that Canada enjoyed on automobiles have been eliminated. With regard to reductions in preference the following changes have been made in Australia.

On gears in Australia the most-favoured-nation rate has been reduced from 40 per cent, plus two shillings per pound, to 37½ per cent plus two shillings a pound, so that as Canada used to receive and still receives the most-favoured-nation rate rather than the preferential rate, that happens to be a case where the change was to our advantage although it is a very slight one. The rate against us has been reduced by 2½ per cent.

Hon. Mr. HAIG: Does that apply to United States exports?

Mr. KEMP: That is true.

Mr. McKINNON: We have no preference now but both we and they have a lower rate.

The CHAIRMAN: It keeps us on an equality basis with the United States on that item.

Mr. KEMP: Yes. With regard to the unassembled chassis, in Australia the margin in favour of Canada has been reduced from threepence to twopence a pound so that there is actually a reduction in the preference that we enjoy there to the extent of a penny a pound.

Hon. Mr. HAIG: And in favour of the United States.

Mr. KEMP: Of all most-favoured-nation countries.

Hon. Mr. HAIG: That means the United States.

Mr. KEMP: The new rates if you wish to have them are:

British preference: $\frac{1}{2}$ d a pound; Canadian: 3d and most-favoured-nations: 5d. The United States enjoys the most-favoured-nation rate of fivepence a pound, Canada enjoys the rate of threepence a pound and the United Kingdom enjoys the rate of a halfpenny a pound.

The CHAIRMAN: The United Kingdom was a great exporter of automobiles to Australia in competition with Canada and the United States. Has that been altered any? Are we prejudiced in this agreement as compared with what we had before? I am speaking with reference to Great Britain.

Mr. KEMP: No, sir. Great Britain formerly enjoyed an advantage as compared with us in the Australian market. She still enjoys an advantage and it is neither greater nor less than it was before.

Hon. Mr. CAMPBELL: Was there not an advantage to the Canadian companies manufacturing motor cars in Canada and shipping them to the United Kingdom, Australia and New Zealand, as against the manufacturers of the United States shipping cars to these same countries? We had a preferential rate.

Mr. KEMP: Yes.

Hon. Mr. CAMPBELL: And I understand you to say that that has not been eliminated?

Mr. KEMP: Not entirely but there has been a reduction in the margin of preference that we enjoy.

Hon. Mr. HAIG: There is still some preference?

Mr. KEMP: Yes, we have retained two-thirds of the preference we had.

Mr. McKINNON: If you calculate the total amount of preference in a chassis it is quite a bit. If you calculate it on two pence a pound it would still be a substantial preference because of the number of pounds in a chassis.

Hon. Mr. CAMPBELL: Was there any change in the duty on a completed car or on automobile parts going into the United States?

Mr. KEMP: Not so far as I know.

Hon. Mr. HAIG: There is a question that I wish to ask which might be inclined to be political but if it is the chairman can stop me. The new program commenced by the government indicates that they would like—and I thoroughly agree—to manufacture some parts of automobiles in Canada and be allowed to sell them to the United States, and then we could buy other parts in the United States and bring them back to Canada. Is there anything in the agreement effecting that kind of situation at all?

Mr. KEMP: Would you give me a moment to look up the figure? I think I have made an error in an answer I gave previously.

Mr. McKINNON: Mr. Chairman, while Mr. Kemp is looking up the precise figure may I reply to Senator Haig, and say that while we were negotiating at Geneva there had been no announcement of the nature that Senator Haig has

referred to. We worked as tariff officials, purely on the basis of tariff and all we did in respect to the Canadian tariff was to bind the existing situation. Therefore, if there should be a new program we can start from scratch, so to speak.

Hon. Mr. HAIG: The Geneva agreement does not stop that?

Mr. McKINNON: No. Under the Geneva agreement to date we have conserved our resources, if you would like to put it that way. They may be reduced under the agreement but as it stands now under the agreement they have not been reduced.

Hon. Mr. HAIG: Your agreements have not affected that position?

Mr. McKINNON: No.

Hon. Mr. HAIG: That is still possible?

Mr. McKINNON: Yes.

Hon. Mr. HAIG: That is the answer I wanted.

Mr. KEMP: May I correct a statement I made just now? I said so far as I remembered there was no reduction on the United States duty on automobile parts. It is true there was no reduction in the United States rate of duty on automobiles but there has been a reduction on parts. The item is number 369 (c) in the United States tariff which reads as follows:

Parts (except tires and except parts wholly or in chief value of glass) for any of the articles enumerated in subparagraph (a) or (b) of paragraph 369 of the Tariff Act, 1939, finished or unfinished, not separately provided for. For motorcycles, 15 per cent ad valorem, no change; other

—that would be for motor vehicles other than motorcycles—

the rate has been reduced from 25 per cent to 12½ per cent ad valorem.

Now the trade statistics which I have also looked up during the past few moments show that in 1939 we exported \$39,000 worth of automobile parts to the United States. I do not suppose it was a regular business but it sometimes happens that a factory on the other side may be temporarily short of some parts and may import a few from this side for emergency reasons. I would imagine that would be the principal reason why we were exporting parts to the United States over a duty of twenty-five per cent in 1939. However, in 1946 when conditions were also probably abnormal in many ways, our export of automobile parts to the United States was considerably more extensive and actually reached \$2,700,000 worth.

The CHAIRMAN: That is a surprising figure.

Hon. Mr. HAIG: That is what I thought. Thank you very much.

Hon. Mr. CAMPBELL: An attempt is being made to build up a toy industry in Canada today, and I was wondering if Mr. Kemp could tell us what the position is as to the duty on toys?

Mr. KEMP: My recollection is that the rate of duty on toys entering the United States is very high; I think it is 70 per cent. It was one of the items on which we naturally did our best to get a reduction, but, like another one mentioned today, it is not in the grey book. We understand that the reason it was left out of that book was that certain other countries which are regarded as the world's great toy suppliers were not represented at Geneva. Therefore we were not able to get any concession on that big toy item.

Hon. Mr. CAMPBELL: And we did not grant any reduction at all?

Mr. McKINNON: Since we as potential suppliers of toys were not able to get any reduction in the United States duty of 70 per cent, we declined to do anything more than bind our present duty of 30 per cent. Although they pressed us to reduce our duty, we did not do so.

Hon. Mr. CAMPBELL: Does that 30 per cent apply to the United Kingdom?

Mr. McKINNON: That rate applies to all favoured nations.

The CHAIRMAN: Are there any other questions?

Hon. Mr. HAIG: Mr. Chairman, I move that the committee adjourn. I think the discussion we have had here has been most beneficial, and the publicity given to it by the press will do a lot of good. While we are home during the recess people will be asking us about various matters dealt with in the agreement, and we shall be able to take up these points after the session resumes in the New Year. I personally feel very grateful to the three gentlemen who appeared before us. They have been most helpful.

Hon. SENATORS: Hear, hear.

Hon. Mr. HAIG: I therefore move that we adjourn now, to meet at the call of the Chair after the recess.

The committee then adjourned, to resume at the call of the Chair.